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The 2017 Tax Cuts & Jobs Act was passed by Congress and signed by President Trump last week. The "New Act", has many of you wondering what actions to take prior to the ball dropping at midnight on December 31st.

Below is a brief summary of the some aspects of the "New Act" and some suggestions that may assist you in deciding if prepaying a deduction will have a positive impact on your tax liability.

	Current Tax Law for filing 2017 returns	New Act beginning for tax year 2018
Standard Deduction (Married Filing Joint; Head of Household; Single)	\$12,700; \$9,350; \$6,350	\$24,000; \$18,000; \$12,000
Personal Exemption	\$4,050 per taxpayer and dependent	Eliminated
<u>Itemized Deductions</u>		
Medical Expenses	Qualified medical and dental expenses deductible to the extent they exceed 10% of AGI.	Qualified medical and dental expenses deductible to the extent they exceed 7.5% of AGI. For 2018 only.
State and Local Income Taxes and Property Taxes	The deduction is generally unlimited. May be reduced or limited due to the "phase-out" of itemized deductions or the AMT calculation.	The deduction is capped at \$10,000.
Mortgage Interest	Limits deductibility to mortgages of up to \$1,000,000. Includes 1st mortgages and home equity loans and lines. Mortgage interest on both the primary home and a vacation home is eligible.	Limits deductibility to mortgages of up to \$750,000 of acquisition indebtedness and excludes home equity loans and lines. Mortgage indebtedness on vacation homes remains eligible.
Miscellaneous Itemized Deductions Subject to the 2 % Floor	Certain expenses are deductible to the extent they collectively exceed 2% of AGI. Common examples are tax preparation fees, investment fees, unreimbursed employee business expenses.	Eliminated

To prepay or not to prepay State and Local income taxes and/or property taxes and other deductible expenses in 2017. Follow the below to determine if you may want to prepay deductions.

- Did you itemize in 2016 (Is Schedule A attached to your 2016 return)?
 - If yes continue.
 - Did your 2016 itemized deductions exceed the proposed 2017 standard deductions for you filing status?
 - If yes continue.
- Do you have state and/or local 2017 estimated tax payment coupons or did you owe a balance with your 2016 state and/or local income tax return?
 - If yes, you may benefit from prepaying any or all of these taxes.
 - Estimated tax payment coupons may be obtained on each state and local website. Please follow the instructions when preparing the estimate coupons.
 - Estimated tax payments may also be remitted on most state and local websites. Please carefully follow the website instructions to assure that the payment is applied to the correct tax period and to your tax account.
- Do you pay property taxes?
 - If yes, you will need to check with your tax collector to determine if your location allows property tax to be prepaid. Technically the property taxes must be assessed prior to 12/31/17 in order for the deduction to be applicable to 2017.
 - Note –
 - Pennsylvania Property Taxes - It has been brought to our attention that most Pennsylvania tax collectors are prohibited from accepting prepayments of property taxes.
 - New York Property Taxes – Governor Cuomo has signed an emergency Executive Order that will allow New Yorkers to Prepay 2018 property taxes in 2017. All payments must be postmarked by December 31, 2017.
 - Please check with your local tax collector.
- Miscellaneous itemized deductions – It may not be possible to prepay any of these items.

The preceding information is meant to assist you with planning. It is not individual income tax advice. The New Act was signed on December 22, 2017. This late date makes it difficult for each taxpayer to individually consult with a tax preparer and meet the payment deadlines imposed by tax collectors and the December 31, 2017 deadline for payment of state and local income taxes.

If you believe that you need a personal consultation to review this information, please contact the office. Consultation fees are \$175 per half hour.

Thank you,

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